

Department of the Army
Headquarters, US Army
Joint Munitions Command
1 Rock Island Arsenal
Rock Island, IL 61299-6000

JMC Memorandum 12-1

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Security Assistance and International Logistics

NONRECURRING COST RECOUPMENT CHARGE DEVELOPMENT AND COLLECTION

Applicability. This memorandum applies to Headquarters (HQ) Joint Munitions Command (JMC) organizations with responsibilities in the nonrecurring cost (NC) recoupment process.

Proponent. The proponent is the Security Assistance Directorate. Users may submit comments/recommendations to HQ JMC(SFSJM-SA), 1 Rock Island Arsenal, Rock Island, IL 61299-6000, e-mail JMC-OFC-SA@osc.army.mil.

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Supersessions. N/A.

FOR THE COMMANDER:


D. Scott Welker
Chief of Staff

<u>Content</u>	<u>Paragraph</u>	<u>Page</u>
Purpose-----	1	1
References-----	2	1
Responsibilities-----	3	2
Procedures-----	4	4
Glossary		5

1. Purpose. This memorandum prescribes procedures, identifies process roles, and assigns responsibilities for the development and collection of nonrecurring cost (NC) recoupment charges for Foreign Military Sales (FMS) within HQ JMC.

2. References.

a. Department of Defense (DoD) Directive 2140.2, 13 Jan 93, Recoupment of Nonrecurring Costs on Sales of US Items.

b. DoD 7000.14R, DoD Financial Management Reg, Volume 15, Appendix B, Security Assistance Policy and Procedures, Mar 93, Chapter 7.

c. DoD 5108.38M, Security Assistance Management Manual (SAMM), Oct 03.

d. Public Law 90-629, 22 Oct 68, Arms Export Control Act.

e. AR 12-1, 24 Jan 00, Security Assistance International Logistics, Training, and Technical Assistance Support Policy and Responsibilities, Chapter 13.

f. US Army Internal Audit Compliance Office (IACO), Audit Report 2002-05, 16 Dec 02, FMS, Nonrecurring Costs Recoupment, JMC.

g. US Army Audit Agency, Audit Report MW 89-201, 26 Jul 89, FMS Management, US Army Armament, Munitions and Chemical Command.

h. Memo of Understanding between JMC and US Army Program Executive Office Ammunition (PEO Ammo), 26 Jan 04.

3. Responsibilities.

a. Security Assistance (SFSJM-SA) will:

(1) Develop and maintain guidance, prescribe procedures, identify process roles, and document responsibilities for the development and collection of nonrecurring cost (NC) recoupment charges for Foreign Military Sales (FMS) for all Command organizations involved in the NC process.

(2) Monitor adherence to and execution of NC guidance.

(3) Serve as command point of contact in all communications between command organizations and US Army Security Assistance Command (USASAC) regarding NC issues.

(4) Develop and submit the quarterly Defense Security Cooperation Agency (DSCA) (Q) 1112 Report to USASAC.

(5) Retain copies of documentation submitted to (and received from) USASAC for approval of NC charges.

(6) Receive, coordinate, and submit Biennial Review of Major Defense Equipment List (MDEL) items.

b. The Deputy for Operations, G3 (SFSJM-OP)/Centralized Munitions Management Directorate (SFSJM-CT) will:

(1) In conjunction with the PEO Ammo, accumulate nonrecurring Research, Development, Test and Evaluation (RDT&E) and total production costs by stock number to determine if an item qualifies as Major Defense Equipment (MDE).

(2) In conjunction with the PEO Ammo, accumulate nonrecurring production costs and production quantities for use in computing the NC recoupment charge.

(3) Calculate the NC recoupment charge based on guidance in the DoD Financial Management Regulation and complete the MDE calculation worksheets when an item qualifies as MDE.

(4) Retain all NC worksheets and other documentation used to compute a recoupment charge until the item is removed from the MDEL.

(5) Review NC RDT&E, NC production costs, total production costs and quantity produced on at least a biennial basis. Recalculate NC recoupment charge when significant changes in computation factors and assumptions are found.

(6) Maintain a list of JMC-managed MDE items and the corresponding approved or submitted NC recoupment charge.

(7) Execute cost development guidance and provide direction to commodities teams.

c. The U.S Army Field Support Command (AFSC) Assistant Deputy Chief of Staff for Resource Management, G8 (AMSFS-RM)/ Finance Operations Division (AMSFS-RMF) will:

(1) Maintain records of NC billed and collected.

(2) Identify quarterly collections.

d. The AFSC G8, Cost and Systems Analysis Division (AMSFS-RMC) will review and validate NC recoupment charge calculations.

4. Procedures.

a. Accumulate DoD costs. SFSJM-CT will, in conjunction with PEO ammo, establish and maintain a system to accumulate the following costs and quantities by stock number for JMC-managed items classified as Significant Military Equipment (SME) on the US Munitions List utilizing guidance in reference 2b.

(1) Nonrecurring RDT&E cost.

- (2) Total DoD production cost.
- (3) Nonrecurring production cost.
- (4) Quantity produced or planned for production.

b. Establish a nonrecurring recoupment charge for new MDE items.

(1) When nonrecurring RDT&E costs reach \$50 million or more or total DoD production costs reach \$200 million or more, SFSJM-CTO will calculate the NC recoupment charge and complete MDE worksheets in accordance with guidance in reference 2b.

(2) AMSFS-RMC will review and validate the calculations on the MDE worksheets.

(3) SFSJM-CTO will forward validated MDE worksheets to SFSJM-SAM for submission to DSCA through USASAC for review and approval.

(4) If approval or rejection of a new NC recoupment charge is not received within 90 days, SFSJM-SA will submit a follow-up to DSCA through USASAC.

c. Retention of Supporting NC Documentation.

(1) SFSJM-CTO will retain all NC worksheets and other documentation used to compute a recoupment charge until the item is removed from the MDEL.

(2) AMSFS-RMF will maintain records of NC billed and collected by country, case, and item until the item is eliminated from the DSCA MDEL. The NC recoupment charges will cease upon the recovery of the total applicable nonrecurring DoD costs.

(3) SFSJM-SAM will retain copies of documentation submitted to USASAC for approval of NC charges. SFSJM-SAM will retain copies of documentation received from USASAC and DSCA.

d. Biennial Review of Approved NC Recoupment Charges.

(1) SFSJM-SAM will receive list of JMC MDE items from USASAC and forwards to SFSJM-CTO for review.

(2) SFSJM-CTO will identify any significant changes in nonrecurring RDT&E costs, nonrecurring DoD production costs, and/or total production quantity (produced and scheduled for production).

(3) If a significant change is found, SFSJM-CTO will recalculate the NC recoupment charge and complete new MDE worksheets for submission.

(a) AMSFS-RMC will review and validate the calculations.

(b) SFSJM-CTO will submit MDE worksheets to SFSJM-SAM for submission to DSCA through USASAC for review and approval.

(4) SFSJM-CTO will complete the biennial review and return it to SFSJM-SAM.

(5) SFSJM-SAM will forward biennial review to USASAC.

e. Report NC Recoupment Charge Collections quarterly to USASAC.

(1) AMSFS-RMF will provide a list of NC collections quarterly to SFSJM-SAM.

(2) SFSJM-SAM will review collections list and submit to DSCA through USASAC on the DSCA (Q) 1112 Report.

f. Delete Item from MDEL when NC recoupment equals total applicable DoD NCs.

(1) AMSFS-RMF will notify SFSJM-CTO when the total applicable DoD NCs have been recouped.

(2) SFSJM-CTO will review the numbers (costs and quantities) and recommend elimination of the item from the MDEL to SFSJM-SAM.

(3) SFSJM-SAM will review and forward recommendation to eliminate the item from the MDEL to DSCA through USASAC.

GLOSSARY

AFSC.....US Army Field Support Command
DSCA.....Defense Security Cooperation Agency
FMS.....Foreign Military Sales
IACO.....US Army Internal Audit Compliance Office
JMC.....Joint Munitions Command
MDE.....Major Defense Equipment
MDEL.....Major Defense Equipment List
NC.....Nonrecurring Charge
PEO AMMO.....US Army Program Executive Office Ammunition
RDT&E.....Research, Development, Test & Engineering
SAAM.....Security Assistance Management Manual
SME.....Significant Military Equipment
USASAC.....US Army Security Assistance Command